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REPORT BY THE

Comptroller General

OF THE UNITED STATES

10710

Military Personnel Cuts Have Not Impaired Most Morale, Welfare, And Recreation Activities

In fiscal year 1978 the Congress limited the number of military personnel assigned to morale, welfare, and recreation activities. GAO found that the services met the congressional ceiling, and the reductions did not seriously affect these activities. The additional reduction for fiscal year 1979 should have little impact. The impact of future reductions can be alleviated by converting military positions to appropriated fund civilian. GAO estimates that at least \$5,700 can be saved annually by substituting a civilian for each military position and reducing the number of military personnel accordingly.

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-160813

The Honorable John C. Stennis
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

As requested in the Committee's letter of October 13, 1978, this report assesses the impact of past reductions in full-time military assignments to the Department of Defense's morale, welfare, and recreation activities. It also identifies the financial advantages of and limits to using more civilians in these activities.

The report contains recommendations to the Secretary of Defense for converting military positions to civilian whenever possible. The Department of Defense disagreed with our recommendations.

As arranged with your office, we are sending copies of this report to the Chairman, House Committee on Appropriations, and, unless you publicly announce its contents earlier, we plan no further distribution until 10 days from the date of the report. At that time we will send copies to other interested parties.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James R. Atack".

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON DEFENSE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

MILITARY PERSONNEL CUTS
HAVE NOT IMPAIRED MOST
MORALE, WELFARE, AND
RECREATION ACTIVITIES

D I G E S T

The military services have been able to meet congressional limits on the number of military personnel assigned to morale, welfare, and recreation activities without seriously impairing service. Furthermore, over \$5,700 in appropriated funds can be saved by substituting a civilian for each military position in these activities.

[Morale, welfare, and recreation ^(MWR) activities in the military services receive subsidies of more than \$600 million in appropriated funds annually. Military resale activities such as exchanges, clubs, sports, and hobby shops take in more than \$5 billion each year.

In fiscal year 1978, and again in 1979, the Congress limited the number of military personnel assigned to these programs. The 1978 ceiling was set at 10,201 (an expected reduction of 1,750 military slots); the 1979 limit was 9,901. The ceilings were intended to reduce the appropriated funds supporting these activities and make more military personnel available for combat-related assignments. (See pp. 1 and 2.)

The services did not have to make any reductions to meet the 1978 ceiling of 10,201 because at the beginning of the year only 10,017 military personnel were assigned. However, the services did reassign 923 military personnel during the year. (See p. 6.)

Fisc
mwr On the basis of a survey of 519 military installations, GAO concluded that fiscal year 1978 reductions had little impact on the services' morale, welfare, and recreation activities at installations.

FPCD-79-54

Eighty-two percent reported no personnel reductions or serious impact from the 1978 ceiling. Operating hours of some activities were cut back, and some prices were increased to pay for additional non-appropriated fund employees. However, price increases also were caused by other factors such as inflation. (See p. 3.)

At the time of GAO's review, actions to meet the 1979 ceiling had not been completed, and its effect could not be fully assessed. However, it too should have little adverse effect. }

OPPORTUNITIES FOR MORE SAVINGS

The military services could save taxpayers \$5,700 annually for each civilian appropriated fund employee substituted for a service member assigned to morale, welfare, and recreation activities. Substituting civilians for all military positions would save up to \$57 million annually. } Even more could be saved by using nonappropriated fund employees where feasible. (See p. 9.)

Seventy-eight percent of the installations responding to GAO's question said that converting to appropriated fund civilians would have little adverse effect and, in some cases, would improve the programs. However, eliminating or converting all military positions to nonappropriated fund employees could curtail some activities or increase prices.

While most of the 9,901 military positions can and should be filled by civilians, some factors could limit the extent of substitution:

- Congressional limits on Federal civilian employment.
- Labor agreements with other countries.
- Rotation base requirements.

--Assignments in deployable combat and combat support units.) (See pp. 13 to 15.)

The Navy and Marine Corps assign five times more military personnel to their exchanges than the other services. If they were required to reduce their military staff to the levels of the other services, taxpayers could save \$11.9 million annually. GAO first recommended this in 1977, but Department of Defense and the services took no action. (See p. 15.)

RECOMMENDATIONS

The Secretary of Defense should direct the services to

- identify those morale, welfare, and recreation activity positions which must be reserved for military personnel;
- convert the remaining positions to appropriated fund civilian, or where possible, to nonappropriated fund civilian; and
- reduce military staffing in Navy and Marine Corps exchanges to the levels authorized in the other services. (See p. 18.)

AGENCY COMMENTS

The Department of Defense said this report addresses several important issues but does not adequately discuss (1) the progress it has made in reducing 4,270 full- and part-time military personnel in morale, welfare, and recreation activities over the past 3 years, (2) the requirements for and generally proper assignment of military personnel to these activities in accordance with its established criteria, and (3) the full impact of a major civilianization program on the quality and cost of morale, welfare, and recreation programs.

GAO disagrees. It points out the reductions made, the requirements for military personnel, and the impact of a major civilianization program. (See chs. 2 and 3.)

The Department said GAO's study results do not show that the reduction in military personnel caused little significant impact on morale, welfare, and recreation activities and that the systemwide impact could have been assessed. However, GAO's solicitation of comments from the Department, military services, and 519 installations showed that most activities were not seriously affected.

The Department said it made a comprehensive study of morale, welfare, and recreation activities which addressed funding and staffing and served as a basis for its staffing criteria. It also stated that GAO's report does not indicate any instance of noncompliance with the Department's directive on assigning appropriated fund personnel to such activities. However, it agreed to ask the services to verify the use of military personnel in accordance with its assignment criteria. GAO's review showed that the services have not complied with the assignment criteria by not reviewing each military position to ascertain whether it should be converted to civilian. (See p. 18.)

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ABBREVIATIONS

AAFES	Army and Air Force Exchange Service
CONUS	continental United States
DOD	Department of Defense
GAO	General Accounting Office
MWR	morale, welfare, and recreation

CHAPTER 1

INTRODUCTION

The Department of Defense (DOD) defines morale, welfare, and recreation (MWR) activities as those located on military installations or on property controlled by a military department, which provide for the comfort, contentment, pleasure, and mental and physical improvement of authorized DOD personnel. MWR activities include military resale exchanges, libraries, clubs, golf, bowling, gymnasiums, hobby shops, and other recreation activities. For the purposes of this report, commissaries are not included as MWR activities. These activities receive more than \$600 million each year in appropriated fund support. Resale activities take in more than \$5 billion annually.

For several years the Congress has been concerned about the number of full-time military personnel assigned to MWR activities. In its report on the fiscal year 1979 Defense Appropriations bill, the Senate Subcommittee on the Department of Defense, Committee on Appropriations, expressed the belief that the level of appropriated fund support for military positions in MWR activities could be reduced in two ways: (1) communities surrounding installations could play a greater role in satisfying common personnel needs and (2) service personnel could pay greater portions of the cost of such services.

LIMITS ON ASSIGNING MILITARY PERSONNEL

In 1976 DOD, in conjunction with the Office of Management and Budget, identified the number of military personnel assigned full time and part time to MWR activities. On the basis of this information the Congress, through the fiscal year 1978 Defense Appropriations Act, limited the number of full-time and part-time MWR military personnel to 10,201 and 2,603, respectively. The legislators believed the limits would reduce full-time military personnel by 1,750, part-time personnel by 250, and thereby decrease appropriated fund support for MWR activities and make more military personnel available for combat-related assignments.

The fiscal year 1979 Defense Appropriations Act provided for a decrease of an additional 300 full-time

military personnel with specific instructions on where the reductions should be made. DOD limited the services' personnel as follows.

	<u>FY 1978</u>	<u>FY 1979</u>
Army	3,693	3,648
Air Force	2,805	2,759
Navy	2,331	2,237
Marine Corps	<u>1,372</u>	<u>1,257</u>
Total	<u>10,201</u>	<u>9,901</u>

SCOPE OF REVIEW

In October 1978, the Senate Committee on Appropriations asked us to examine the impact, actual and anticipated, of these and other reductions in full-time military support on DOD's entire MWR system. (See app. I.)

We reviewed and assessed applicable policies, instructions, and correspondence related to assigning personnel to MWR activities. We met with DOD and service headquarters' officials and arranged for them to solicit personnel statistical data and comments on the impact of reducing military MWR support at installations worldwide. We analyzed and summarized personnel data and replies from 519 installations.

We also visited 24 military installations in the United States and the Far East primarily to assess the reliability of the data they provided us. We selected installations in each of the services--7 in the Pacific area and 17 in the continental United States (CONUS).

CHAPTER 2

IMPACT OF LEGISLATIVE REDUCTIONS

Although the fiscal year 1978 ceiling reduced operating hours of some activities and increased prices in others, it generally had no significant impact on local MWR programs. The services did not have to make any reductions to meet the 1978 ceiling; however, they reassigned 923 military personnel during the year. DOD and service officials agreed that the reductions had no serious immediate impact at installations but said the long-term effects on unit morale are not readily apparent nor easily measured.

Actions to implement the fiscal year 1979 ceiling have not been completed, and its effect could not be fully assessed. However, on the basis of our analysis of the planned implementation, it too should have little effect.

REDUCTIONS DID NOT AFFECT
MOST MWR ACTIVITIES

We asked the services to direct each of their installations worldwide to report the impact of the congressionally mandated reductions of MWR military personnel. Installations reported the following results of the 1978 ceiling.

	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Total</u>	<u>Percent</u>
No personnel reductions experienced	125	83	117	4	329	63
No significant impact	-	66	29	3	98	19
Some impact	-	<u>47</u>	<u>30</u>	<u>15</u>	<u>92</u>	<u>18</u>
Total replies (note a)	<u>125</u>	<u>196</u>	<u>176</u>	<u>22</u>	<u>519</u>	<u>100</u>

a/An additional 28 installations did not respond to our questions and were excluded.

Eighty-two percent of the 519 installations reporting either had no reductions or no significant impact as a result of the 1978 reassignments. Overall, service headquarters' officials agreed that no serious effects on local MWR activities could be attributed directly to the ceiling.

Other installations reported results such as price increases. But the services pointed out the difficulty in making this assessment because price increases can be attributed to a combination of causes, including inflation.

Of the 24 military installations we visited, 8 did not maintain records of full-time military personnel assigned to MWR activities, but there was no requirement to do so. These eight installations based their reports of assigned strengths on the recollections of personnel in charge of the activities. During our visits we made small adjustments to reported strengths (see p. 6), obtained more data on reported impact, and in some instances identified impacts which were omitted.

Ninety-two installations reported one or more of the following results of the 1978 reduction.

	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Total</u>	<u>Percent</u>
Activities curtailed	28	16	8	52	45
Price increases	12	9	6	27	24
Other	<u>24</u>	<u>7</u>	<u>4</u>	<u>35</u>	<u>31</u>
Total	<u>64</u>	<u>32</u>	<u>18</u>	<u>114</u>	<u>100</u>

Activities curtailed

Curtailement of MWR activities was the most frequently reported impact. For example, the Memphis Naval Air Station reduced operations at its riding stables, lakes, and picnic areas from 7 to 5 days due to the loss of two military personnel; and the Marine Corps Base, Camp Lejeune, reported shorter hours of operation and reduced service in its officers open mess due to the loss of military cooks.

Reduced operating hours could benefit installations by eliminating unprofitable periods or activities. For instance we found that Kaneohe Marine Corps Base terminated the ceramics shop because very few people used it.

Price increases

Installations reported 27 instances of price increases to pay for additional nonappropriated fund employees to replace military staff. But this only affected specific MWR activities. For example, the Marine Corps Logistics Base, Albany, Georgia, increased golf fees 15 percent to partially

offset the \$10,000 annual expense of one new nonappropriated fund employee; no other price increases were reported. At Mountain Home Air Force Base prices increased 15 percent in the bowling center to offset the cost of four new nonappropriated fund employees to replace military personnel in other activities. Other installations reported fees for activities previously offered free of charge.

At nine installations we visited, prices of selected activities averaged about 40 percent below commercial activities. On the basis of our limited survey, the impact of price increases would not appear to be serious.

Other impacts

In only 35 instances, installations reported other types of impacts on MWR activities. The need to hire nonappropriated fund civilians to replace military personnel created a

- need for additional operating funds,
- reduction in funds available for capital improvement programs,
- loss of training and career progression opportunities, and
- loss of control and accountability.

Not all installations quantified the additional funds needed for operation and capital improvements; hence, we cannot fully assess these impacts. Navy headquarters' officials reported an increase in operational subsidies from centrally managed nonappropriated funds to local MWR programs, but they could not identify how much of the increase in subsidies was caused by the ceilings.

The Air Force's policy is to staff all military MWR positions with specialists and give them career progression opportunities within their occupational specialties. Headquarters Air Force officials said the ceiling on MWR military positions reduced training and career progression opportunities, thus significantly restricted their ability to develop a professional military MWR work force.

Substituting civilians for an entire career field would overcome this problem. In this regard, the Air Force is converting to civilian all officer positions in its

club system because the number of military positions is not sufficient to maintain a career field with promotion potential. (See p. 17.)

FEWER MILITARY PERSONNEL
REASSIGNED THAN EXPECTED

The services met the congressional intent to limit military personnel assigned to MWR activities, but fewer people were reassigned than expected. When the Congress imposed the 1978 ceiling on MWR military positions using the 1976 survey data, it expected the services to reassign 1,750 military personnel from MWR activities to combat units. On the basis of data reported to us, 923 personnel were reassigned during the year. In fact, the services began the fiscal year below the ceiling and would not have needed to reassign anyone, as shown by the following table:

	<u>FY 1978 ceiling</u>	<u>Start FY 1978</u>	<u>End FY 1978 (note a)</u>	<u>Reduction</u>
Army	3,693	2,964	2,964	0
Air Force	2,805	3,104	2,800	304
Navy	2,331	2,509	2,147	362
Marine Corps	<u>1,372</u>	<u>1,440</u>	<u>1,183</u>	<u>257</u>
Total	<u>10,201</u>	<u>10,017</u>	<u>9,094</u>	<u>923</u>

a/On the basis of our analysis of the reported data and installation visits, we increased the assigned personnel of the Army, Air Force, and Navy by 198, 174, and 82, respectively, and decreased that of the Marine Corps by 33. The services had omitted some people assigned to the exchange programs, to headquarters, to the Stars and Stripes newspaper, to combat units, and as MWR training instructors. We reduced some Navy and Marine Corps data to eliminate part-time assignments reported as full time.

The above situation arose in part because of faulty data reported on the 1976 survey used as the basis for setting the 1978 ceiling and reassignments made during prior years. Except for the Air Force, the services do not maintain centralized data on personnel assigned to MWR activities and are not required to do so. Furthermore, there was no consistent interservice definition of "full-time personnel."

1979 CEILING SHOULD HAVE LITTLE IMPACT

At the time of our review, DOD planned to implement the fiscal year 1979 ceiling at CONUS installations by reducing military personnel in the club systems by 147 and in the military exchanges by 153. Since 720 military clubs are in CONUS, 1/ the reduction is about one person for every five clubs and should not have a significant impact.

In our recent report on military club operations, 2/ we noted their generally poor financial condition. We suggested that using more civilian managers would eliminate some of the clubs' management problems and could lead to more effective operations.

Of the 153 military reductions in the exchanges, 150 will be in the Navy and Marine Corps because of their proportionally higher military staffing compared to the Army and Air Force. These reductions may increase prices or reduce profits. (See p. 15.)

CONCLUSIONS

The 1978 ceiling on MWR military personnel generally did not significantly affect the services' MWR activities. The 1979 ceiling should also have little impact on these activities.

AGENCY COMMENTS

In its overall comments, DOD said (1) the evidence we cite does not support our conclusion that the reduction in military MWR personnel caused little significant impact and (2) although this impact is difficult to measure in specific MWR activities, we could have quantitatively assessed an aggregate systemwide impact. DOD and service officials had agreed earlier that no serious impact on local MWR activities could be attributed directly to the fiscal year 1978 ceiling.

We solicited DOD and the services' comments on any overall or systemwide impact, as well as comments from 519 installations worldwide, and cited those instances where

1/Includes Alaska and Hawaii.

2/"Changes Needed in Operating Military Clubs and Alcohol Package Stores" (FPCD-79-9, Jan. 15, 1979).

effects could be identified. As noted earlier in this chapter, the services pointed out that price increases can be attributed to a combination of causes, and although the Navy cited increased subsidies from centrally managed nonappropriated funds, it could not identify what portion of the increase was caused by the reduction.

DOD also said our data unfairly implies that the military MWR personnel reduction was less than Congress expected. DOD said its departments were below the fiscal year 1978 ceiling before it was legislated and that, as of March 31, 1979, the services were 585 full-time military personnel below the 1979 ceiling. We reported that DOD met the congressional intent, that the number of assigned personnel was below the ceiling before the fiscal year 1978 began, and that the services further reduced military personnel by 923 during the year. As discussed in the next chapter, we believe most of the remaining military MWR positions should be converted to civilian positions.

CHAPTER 3

IMPACT OF POSSIBLE FUTURE REDUCTIONS

DOD and service officials agree that eliminating all military positions in MWR activities or converting them to nonappropriated fund civilian would seriously affect these activities. However, our work showed that the adverse effects could be alleviated by substituting appropriated fund civilians. More than \$5,700 could be saved annually for each military position that is converted to appropriated fund civilian and military personnel reduced accordingly. More would be saved if nonappropriated fund civilians could be substituted to work in places such as the exchanges. The number of positions which can be converted will not be known until the services identify positions that need not be reserved for military personnel. Most of the installations responding to our inquiry said that converting positions to appropriated fund civilian would have little adverse impact on their MWR activities; in fact it has certain advantages.

The following illustrates how each conversion of an MWR position from military to civilian affects the taxpayers and MWR patrons.

	<u>Saving to taxpayers</u>	<u>Cost to MWR patrons</u>
Average for each full-time MWR position if:		
A military position is eliminated and person not replaced	\$24,900	\$ -
A military position is converted to:		
An appropriated fund civilian position	5,740	-
A nonappropriated fund position	24,900	19,900
A military person is substituted for an appropriated fund civilian in another activity and the military position is converted to nonappropriated fund civilian	19,160	19,900

In 1974, the Congress directed DOD to use the least costly form of manpower consistent with military requirements. DOD policy, consistent with this directive, is to use civilian employees in MWR activities whenever it is feasible to do so. However, the services have not reviewed all MWR positions occupied by military personnel to determine whether they should be converted to civilian positions.

DOD and service officials believe that most of the military positions are justified. They contend that (1) overseas and shipboard military positions have been authorized and justified during the services' regular manpower surveys and (2) all CONUS military positions are required as a rotation base for those positions. We noted, however, that the Air Force has recently converted all military positions in golf and bowling activities to civilian and is currently substituting civilians in all officer positions in open messes.

In recent years, we and others have issued several reports suggesting that DOD could use civilians more extensively and pointing out deficiencies in the manpower survey processes. (See app. II.)

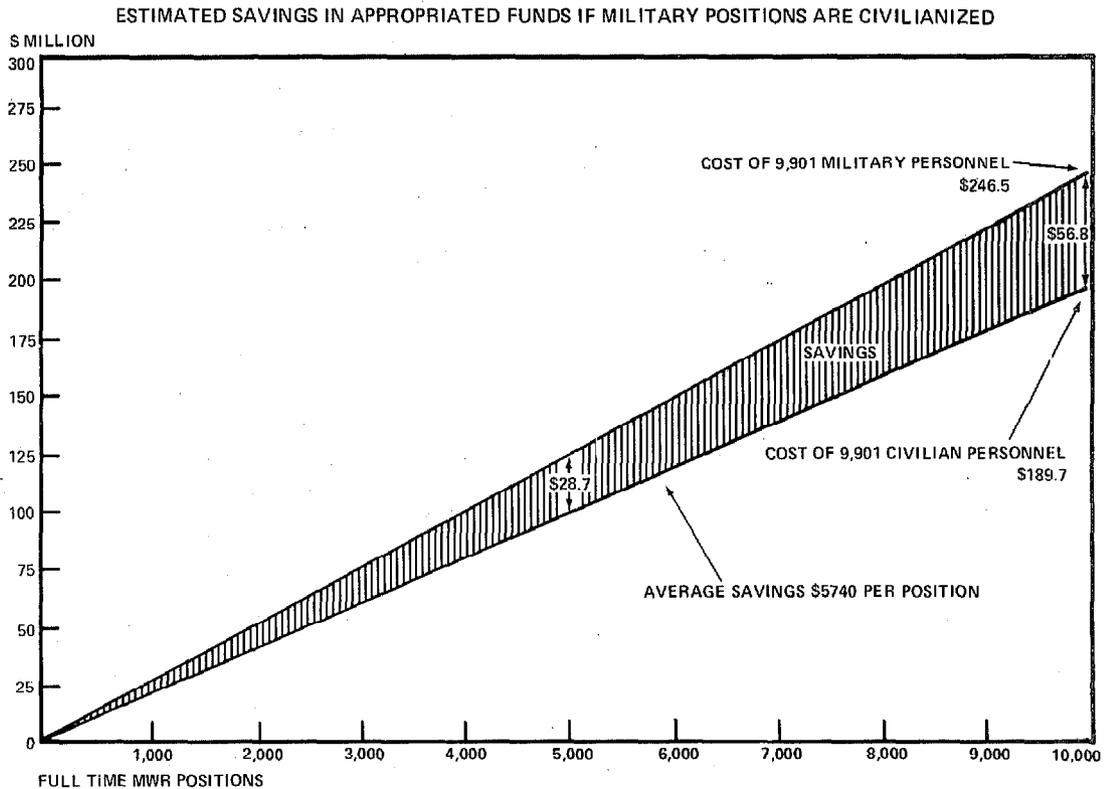
While we believe that most of the 9,901 military positions can and should be filled by civilians, the extent of these substitutions is limited by (1) the congressional limit in the Civil Service Reform Act of 1978 on Federal civilian employment, (2) labor agreements with foreign countries, (3) rotation base requirements, and (4) MWR positions in deployable combat and combat support units. These are discussed later in this chapter.

Because of the increasing difficulty in recruiting sufficient military personnel, DOD should require the services to pay more attention to delineating their military requirements. For the first quarter of fiscal year 1979 the services fell 10 percent below their recruiting goals, and for the first time under the all-volunteer force, all services fell short of their goals. These shortages should cause the services to emphasize assignments to positions requiring military skills and to look to other forms of manpower to fill MWR positions.

POTENTIAL FOR SAVING UP TO \$57 MILLION ANNUALLY

As shown in the following graph we estimate that the 9,901 military MWR positions cost about \$247 million annually, and substituting civilians would save up to \$57 million, depending on the number of positions converted.

Comparably skilled civilians cost \$11,400 less than officers and \$5,000 less than enlisted personnel. (See app. III.)



Seventy-eight percent of the installations responding to our question said that converting all authorized full-time military positions to appropriated fund civilian in one or more MWR activities would either cause no adverse impacts or could enhance their programs.

	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Total</u>	<u>Percent</u>
Converting to appropriated fund civilians:						
Would not cause any serious adverse impacts	41	108	104	14	267	68
Could improve programs	9	15	12	5	41	10
Would cause adverse impacts	6	64	12	3	85	22

One Air Force installation stated:

"[Recreational] programs would be stabilized and improved as a result of staff continuity, and an experienced knowledgeable work force would be established that is familiar with the installation's unique program characteristics."

The installation could

"expand programs and increase facility operating hours because civilian workers are not required to support military contingency duties, which takes up about 20-percent military duty time."

Another Air Force installation said:

"The MWR Division would function more efficiently and effectively if it were all civilianized and phased in over a 3- to 4-year time period. Rationale is based on proven experience in civilianization of bowling lanes, golf courses, recreation centers, arts and crafts, etc. MWR military are too involved in exercises, commander's calls, and other details associated with various military commitments."

A Navy installation stated that civilians:

"* * * could be advantageous to (certain) morale, welfare and recreational activities * * *. The manning level for military personnel has always been a problem and also historically many of the military personnel assigned to MWR activities are limited duty personnel and legal holds (persons with some type of legal action pending)."

Twenty-two percent of the installations and the services' headquarters said conversions would not be desirable and cited DOD's policy which permits use of military personnel

- for rotation, training, and career progression not available at other activities;
- for deployments or at locations where qualified civilians are not available; and
- where executive control and essential command supervision cannot otherwise be effectively provided.

Other major reasons cited were the

- need for military personnel at some small installations to share watch duties and
- loss of DOD appropriated fund civilian personnel if such positions could be authorized as a result of future ceiling reductions.

DOD and service officials said if conversion is required, it should be phased over 3 to 4 years.

LIMITS TO GREATER USE OF CIVILIAN PERSONNEL

DOD and the services cited several problems which would limit the use of civilian personnel. These problems would restrict the conversion of some military positions, but most positions could be converted within a few years.

Congressional limit

Section 311 of the Civil Service Reform Act of 1978 (Public Law 95-454) provides that the total number of civilian employees in the executive branch at the end of fiscal years 1979, 1980, and 1981 will not exceed the number of such employees on September 30, 1977. During hearings on the 1980 Defense budget, DOD officials testified that in fiscal year 1979 the services will need to reduce civilian employment by 9,000 positions to comply with this provision. Thus, additional civilian positions cannot be made available at this time to permit conversion.

We noted that the act permits contracting personnel services where it is to the Government's financial advantage. Therefore, in these cases the act does not restrict use of civilians. Further, contracting at some installations would free civilian spaces for conversion at others. The Air Force presently contracts base support operations at three bases, including some MWR activities.

Foreign country labor agreements

In some foreign countries where the services maintain bases, government-to-government labor agreements restrict the number of American civilians the services can employ. At bases where the services have hired the maximum number of American civilians, these agreements would impede conversion of military positions unless foreign nationals could be hired for the jobs.

Rotation base

The services said that all CONUS MWR military positions are required to provide a rotation base for personnel assigned to ships or overseas. For example, Air Force officials told us that they have 803 MWR military positions overseas and need 552 more positions than they now have in CONUS as a rotation base.

We requested studies which could support these contentions. Only the Navy, which is currently studying this matter, could provide such support. The other services have not identified nor quantified, by type of skill, CONUS positions which must be reserved for the rotation base.

Obviously, if all military support positions aboard ship or overseas were civilian, a military career rotation base would not be required. We recognize this is not possible because shipboard positions must be military, and government-to-government labor agreements limit the use of American civilians. Therefore, the services need to perform the necessary studies to support the rotation base requirement and to reserve those positions for this purpose.

The issue of rotation base requirements was addressed in past studies, and in each case the studies concluded that thousands of positions could be converted over and above rotation needs. For example, a 1977 study by DOD concluded that the Army, Navy, and Air Force had potential for converting 86,000 military positions, including all Army MWR positions. DOD recognized that a detailed review of rotation base requirements and other considerations could reduce the number to 50,000. However, it decided not to act on the study's findings.

A 1977 study by the Senate Armed Services Committee concluded all services had potential for using more civilians, and after considering rotation base requirements, it stated civilians could be substituted in 317,000 military positions.

After we completed our fieldwork, the Navy gave us a copy of an interim report on a current study concerning sea/shore rotation requirements. It indicated all present shore billets are required as a rotation base to maintain all current sea billets. If the final report, which is expected to be issued later this year, confirms the preliminary findings, the Navy will have

justified a need for all of its present military billets. However, these billets need not be assigned to MWR activities. (See p. 16.)

MWR positions in combat
and combat support units

DOD policy authorizes military MWR positions when required for deployment. The Army, for example, reported 77 military personnel assigned to MWR positions in its combat divisions. The Air Force reported that 1,017 of its 2,800 military personnel in MWR activities have been assigned emergency and/or wartime duties. Because full-time MWR positions are essential to the missions of combat and combat support units, such positions should be military in the event of deployment.

OPPORTUNITY FOR GREATER USE OF
NONAPPROPRIATED FUND CIVILIANS

The Navy and Marine Corps assign substantially more military personnel to their exchange operations than the other services. If the Navy and Marine Corps were required to reduce their military staff by 437 to the levels in the other services, taxpayers would save about \$11.9 million annually, the total cost of those personnel.

During fiscal year 1979 the Navy and Marine Corps, which operate independent exchange systems, have authorized the use of 542 military personnel worldwide in their exchange systems. The Army and Air Force Exchange Service (AAFES) is authorized only 105 military personnel worldwide for 1979. In lieu of military personnel, AAFES employs more nonappropriated fund civilians whose salaries are included in the costs of goods sold.

DOD recognized these staffing differences in allocating the 1979 reductions among the services. The reductions and 1979 ceilings for CONUS exchanges follow.

	<u>Reduction</u>	<u>Ceiling</u>
AAFES	3	43
Navy exchanges	54	91
Marine Corps exchanges	96	97

Converting military positions in the Navy and Marine Corps to nonappropriated fund civilian may increase the prices of goods sold or reduce profits. However, we noted that a July 1978 report by the Defense Audit Service shows that AAFES has the lowest prices of the three exchanges.

The report further states that AAFES has effectively operated field exchanges in nearly all locations with civilian nonappropriated fund employees.

In our 1977 report, 1/ we recommended that DOD revise its directive on staffing to limit the number of military personnel assigned to the Navy and Marine Corps exchanges to the level authorized for AAFES. In its 1978 revision to this directive, DOD officials chose not to adopt our recommendation because they felt a need to recognize staffing differences among the services.

As previously noted (see p. 14) we recognize that the Navy might demonstrate a sea/shore rotation requirement to retain all present shore billets. Retaining the present number and kind of shore billets, however, need not prevent a phased action to reduce the number of full-time military positions assigned to exchange activities. Navy exchange military positions could be reassigned to appropriated fund activities such as commissaries. Thus, military personnel could be assigned, in like skills, in lieu of appropriated fund civilians. The Navy could save \$5 million annually by transferring 253 2/ military exchange positions to its commissaries, reducing the number of appropriated fund civilian positions accordingly, and converting the exchange military positions to nonappropriated fund civilian.

AGENCY ACTIONS

In March 1979, DOD officials, in response to two of our reports recommending civilian substitutions, 1/ said they believed it unwise to undertake a large program to replace military personnel with civilians at this time. They said a program to replace a significant number of military personnel with civilians would exacerbate the current shortage of trained military manpower for the early days of a war. However, they agreed that installations with few military personnel should be reviewed to determine whether the cost associated with military

1/"Appropriated Fund Support for Nonappropriated Fund and Related Activities in the Department of Defense" (FPCD-77-58, Aug. 31, 1977).

2/On the basis of data from AAFES and the Navy indicating an AAFES ratio of 1 military for each 608 civilians and a Navy ratio of 1 to 91 after reductions effected by the Navy since September 30, 1978, and planned reductions to meet the 1979 congressional ceiling.

support could be reduced. DOD required the services to study 54 installations and report the results by mid-1979.

We do not agree with DOD officials that converting military positions to civilian would exacerbate shortages of military personnel. On the contrary, reducing military personnel in MWR activities and assigning the personnel to units with shortages would help alleviate the problem.

An Air Force official told us that the Air Force was converting to civilian all officer positions in its club system because the relatively few officer positions (63) were not enough to maintain a professional club officer career field with promotion opportunities.

CONCLUSIONS

About \$5,700 could be saved annually by converting each MWR military position to appropriated fund civilian and reducing military personnel accordingly. On the basis of comments from installations around the world, substituting civilians generally would have no significant adverse impact and could enhance the programs.

About \$11.9 million annually could be saved by limiting military staffing in the Navy and Marine Corps exchanges to the levels in other services. It could be claimed that substituting nonappropriated fund civilians might significantly raise prices, but that need not be the case. As the Defense Audit Service reported, AAFES, which uses more nonappropriated fund civilians than the Navy and Marine Corps, has lower prices.

Certain problems could limit the timing or the extent of civilian substitution. The services should be required to review each of these in detail to quantify and identify the MWR positions which must be reserved for military personnel. For those positions not reserved, the services should be required to convert military positions to appropriated fund civilian or where possible to nonappropriated fund civilian within 3 to 4 years and reduce military personnel accordingly.

1/"Using Civilian Personnel for Military Administrative and Support Positions--Can More Be Done?" (FPCD-78-69, Sept. 26, 1978), and "Defense Use of Military Personnel in Industrial Facilities--Largely Unnecessary and Very Expensive" (FPCD-79-10, May 1, 1979).

RECOMMENDATIONS

We recommend that the Secretary of Defense direct the services to

- identify those morale, welfare, and recreation activity positions which must be reserved for military personnel,
- convert the remaining positions to appropriated fund civilian or where possible to nonappropriated fund civilian, and
- reduce military staffing in Navy and Marine Corps exchanges to the levels authorized in the other services.

AGENCY COMMENTS

DOD said it made a comprehensive study of MWR activities late in 1977 which addressed funding and staffing and served as a basis for its staffing criteria. It also stated that our report does not indicate any instance of noncompliance with its directive on assigning appropriated fund personnel to MWR activities. However, DOD agreed to ask the services to verify the use of military personnel in accordance with its assignment criteria.

Our review showed that the services have not complied with DOD's assignment criteria by not reviewing each military position to ascertain whether it should be converted to civilian. For example, the Air Force recently decided to convert all of its club officer positions to civilian but has not studied the similar conversion of enlisted positions. Also, Army officials in commenting on our report said that civilians could be substituted in many Army military MWR positions.

DOD said that readers of this report should recognize that increased nonappropriated fund expenses to exchanges would either raise prices or reduce the amount of profits used to fund other MWR activities. We have made that clear in our presentation.

DOD also said that it rejects the inference that clubs and other MWR activities can be placed on a sounder financial basis by replacing military with civilian personnel. It further stated that the report does not adequately address the impact of military personnel reductions on rotational manning requirements, mobilization, deployment, or combat capability.

In our January 15, 1979, report on military clubs (FPCD-79-9), we discussed at length the financial problems of the club systems and the lack of experienced military club managers due to inadequate training and frequent rotation. Further, we think we have adequately addressed rotation, mobilization, and deployment of military personnel. These issues were discussed extensively in this chapter and in reports cited in appendix II.

DOD questioned how its overall shortage of military personnel could be helped by eliminating military positions in MWR activities and assigning military personnel to units with shortages, while at the same time reducing the number of military personnel. This report and the others to which we referred recognize that DOD's total manpower consists of both military and civilian personnel. It is DOD's policy that civilians should be used to the maximum extent feasible. If MWR military positions are converted to civilian by reducing the authorized military positions and increasing the authorized civilian positions proportionately, there will be no change in the overall authorized DOD personnel. If MWR military personnel are reassigned to help fill shortages in combat or combat support units whose authorizations will not have been changed, fewer military personnel would be needed to meet total military requirements, and recruiting could be reduced accordingly.

In addition, DOD said our suggestion that Navy military personnel now assigned to exchanges (a largely nonappropriated fund MWR activity) be assigned similar duties in the appropriated funded commissaries did not adequately address the impact on exchange prices or on the exchange profits used to fund other MWR activities. We recognize that converting substantial numbers of military Navy and Marine Corps exchange positions to nonappropriated fund civilian may increase prices or reduce profits. On the basis of reported sales totaling \$1.1 billion for 1978, the Navy would have to increase exchange prices by less than one-half of one percent to offset the cost of the additional nonappropriated fund civilians.

DOD said that some of the factors we cited as limits to greater use of civilians are really basic requirements for use of military personnel. We agree and point out in this chapter that the services have not reviewed each military position to determine whether any of DOD's criteria justifies it. We note that DOD agreed to ask the services to verify military assignments in accordance with its requirements.

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

October 13, 1978

The Honorable Elmer Staats
 Comptroller General of the United States
 Washington, D. C.

Dear Mr. Staats:

The Committee has had a continuing concern over the numbers of military personnel in the Department of Defense assigned to Morale, Welfare and Recreation activities. In passing the fiscal year 1979 Defense Appropriations Bill, the Committee for the second consecutive year recommended reductions in the number of military personnel assigned to these activities. The Conference Report (House Report 95-1764) on this bill included a reduction of 300 military personnel assigned full time to military resale activities in the continental United States.

In making this reduction, the Conferees also agreed to request the General Accounting Office to examine the impact of this and any other reduction in full-time military support on the entire Morale, Welfare and Recreation system of the Department of Defense.

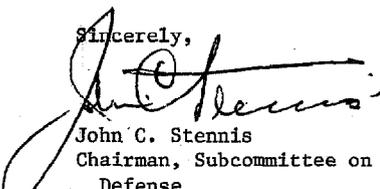
Therefore, the Committee requests that your office assess the financial impact of reductions in full-time military support on resale activities as well as on other categories of Defense Department morale, welfare and recreation activities. Your review should include consideration of such questions as the extent to which reductions in full-time military support have caused increased prices in military resale activities, and the extent to which these reductions have led to shorter hours and increased user fees throughout the welfare and recreation activities in the Department of Defense.

The Committee staff has discussed this request with representatives from the Federal Personnel and Compensation Division.

The Committee would like to obtain the results of the review by early June 1979; however, GAO should provide the Committee staff with a progress report in February 1979.

With best wishes, I am

Sincerely,


 John C. Stennis
 Chairman, Subcommittee on
 Defense

JCS:ljm

OTHER REPORTS CONTAININGVIEWS ON CIVILIANIZATION

In recent years we have issued several reports suggesting that DOD could use civilians more extensively in positions not requiring military personnel. Others interested in the defense work force have also reported on their perception of civilianization. Discussions of civilianization in some of these reports are summarized below.

GAO REPORTS

"Accomplishments Under the 1964-68
Civilianization Program" (B-146890,
Jan. 26 and Nov. 1, 1968)

We examined aspects of DOD's 1964-68 civilianization program at the request of the Chairman, Subcommittee on Manpower and Civil Service, House Committee on Post Office and Civil Service. On January 26, 1968, we reported a number of limitations in phase I of the program:

- The program did not achieve its full potential because of inadequate guidance and weaknesses in internal management controls.
- The program did not result in the immediate release of as many military personnel from military positions as planned because the services converted many positions already vacant.
- Military personnel who became available as a result of position conversion were not always assigned to duties which required military personnel.
- The services, in many cases, established civilian positions in areas not related to the military positions that had been converted.

On November 1, 1968, we reported to the Chairman on DOD's accomplishments under both phases of the program. We also reported that as a result of the Revenue and Expenditure Control Act of 1968, DOD was not permitted to adjust the level of civilian employees by the number of positions converted.

"Extensive Use of Military Personnel in
Civilian-Type Positions" (B-146890,
Mar. 20, 1972)

If DOD's policy to use civilians to fill all positions not requiring military personnel were followed strictly, the services could make greater use of military personnel in military positions and could hold military manpower requirements at the minimum needed to safeguard the Nation's security.

This policy had not been followed consistently. In our opinion, this was caused by the failure of the military departments to determine the types and number of positions which should be filled by military personnel and the types and number which should be filled by civilians. Since these determinations had not been made, installation commanders were required to make subjective decisions concerning assignments.

Installation commanders were reluctant to recommend the use of civilians in certain positions occupied by military personnel because of limitations imposed by budgetary restrictions and by civilian employment ceilings. We recommended that the Secretary of Defense direct each military department headquarters to review all types of personnel positions, except those designated as being in deployable military units having a combat or combat-support mission and, for each type, determine whether:

- The position must be filled by military personnel.
- The position could be filled by either military personnel or civilians and the circumstances in which the position would be used for military personnel, such as for rotation or for career development.
- The position need not be filled by a military incumbent and should be filled by a civilian.

DOD did not agree that lack of staffing guidance at the installation level was the major restriction to full application of its policy. DOD said that the principal constraints had been restrictions on civilian employment and budgetary limitations. However, DOD said that it would consider our recommendation that specific guidelines be provided to all installations for use in determining whether individual positions should be filled by military personnel or civilians.

"Opportunity to Reduce Costs and Improve Efficiency by Employing Civilians Instead of Marines" (B-146890, June 19, 1974)

We reported to the Secretary of Defense on the work force at the Marine Corps Finance Center and Automated Services Center, Kansas City, Missouri. We reported that these facilities were not staffed in accordance with DOD policy on the use of civilian personnel:

--Marines were not required, by law, for rotation, training, security, discipline, or combat readiness.

--The Center's functions were mainly administrative in nature and could be performed by civilians.

--Use of civilians could result in potential savings of about \$1.6 million a year.

The Marine Corps has taken no action to civilianize any of these positions.

"Financial Operations of the Five Service Academies" (FPCD-75-117, Feb. 6, 1975)

More than 500 support positions currently occupied by military personnel could save about \$1.6 million a year if filled by civilians. The Merchant Marine Academy had all civilians except a few naval officers to conduct the Navy officer training program.

The services said that determining the potential of changing military to civilian positions could be made only after a complete review of positions at the academies.

"Maintaining a Military Presence in an Industrial Environment--Issues and Costs (FPCD-76-7, Apr. 12, 1976)

DOD operates about 90 commercial and industrial military support activities, excluding shipyards. Although the work forces are predominantly civilian, over 10,000 military personnel are assigned to them.

At the end of 1974, the Naval Weapons Support Center, Crane, Indiana, had a work force of about 4,500 civilians and a military complement of 68--19 officers and 49 enlisted men. Only 23 of the 68 military personnel were

doing center-related work; the remaining 45, plus 10 civilians, were providing support services for the military complement, including food and housekeeping, recreation, commissary and exchange stores, and health care. Maintaining a military presence at the center cost about \$1.2 million annually.

DOD policy for staffing support activities had not been fully implemented at the center. The Secretary of Defense agreed to review all commercial and industrial activities to determine if reductions in military staffing could be made or if the total cost of the military presence could be minimized by reducing the support overhead. In December 1977 the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) stated that according to the DOD review, a reduction of military staffing at commercial and industrial installations was not appropriate at that time.

"Reserve Officer Training Corps: Management Deficiencies Still to be Corrected"
(FPCD-77-15, Mar. 15, 1977)

The services assign a large number of enlisted personnel to Reserve Officer Training Corps units and headquarters to perform operational and support functions; most functions are for support. Army and Navy units also employ civilians in support positions.

Training Corps officials agreed that these functions could be performed by civilians, but some enlisted personnel were needed to supervise audit work, counsel, and interact with students.

"Changes in Navy Ship Overhaul Practices Could Improve Fleet Capability and Crew Effectiveness" (FPCD-77-76, Apr. 8, 1977)

The Navy's longstanding practice of retaining crew members on board ships during lengthy overhaul periods results in inefficient use of highly trained and skilled personnel, many of whom are critically needed on operational ships. While the ship is in overhaul, the sailors do industrial work and normal administrative and support functions that are usually carried on to maintain Navy life aboard the ship as if it were at sea.

Use of these highly trained personnel for such tasks is a waste of training and experience that is needed elsewhere in the Navy. An advantageous alternative would be

to use civilians for the needed industrial work. This practice would, among other things, more fully comply with DOD policy which encourages the use of civilians..

The Navy did not agree with our conclusions.

"Development and Use of Military Services
Staffing Standards: More Direction,
Emphasis, and Consistency Needed"
(FPCD-77-72, Oct. 18, 1977)

About 1.67 million, or 53 percent, of DOD's military and civilian personnel are used in functions supporting combat forces. The military services use a variety of management tools, including staffing standards, in determining support personnel requirements. Significant differences exist both within and among the services in

- development of comprehensive policies and procedures for determining and applying staffing standards;
- direction, control, and monitoring of standards programs;
- assignment and training of personnel for standards development;
- personnel covered by staffing standards; and
- use of staffing standards in determining and managing staffing requirements.

Improved program effectiveness and retention of staffing standards personnel could be achieved by converting most positions now occupied by military enlisted personnel to civilian positions. Less training would be required and stability of assignments would permit staffing standards personnel to develop a greater knowledge of the functions and organizations they examine.

"The Naval Audit Service Should be
Strengthened" (FGMSD-78-5, Nov. 11, 1977)

Despite DOD policy, the Navy has followed the practice of appointing high-ranking military officers to the positions of Director, Deputy Director, and District Office Director(s) of the Naval Audit Service. Because military officers are subject to periodic rotation, there have been many incumbents. Since 1970 the Audit Service has had four different military directors.

At the end of fiscal year 1976, the Naval Audit Service employed 35 military personnel, many in high-level policy and management positions. Based on discussions with Audit Service officials, apparently no audit specifically requires military staffing.

However, the Auditor General and several of the military staff believed that, as a result of the diversity of the work performed, the audit experience generally makes officers more effective in accomplishing their responsibilities at subsequent duty stations than officers who have not been assigned to the Audit Service. Also, audit officials believe that, as a result of their training and background, military personnel are more oriented toward combat-related functions and are thus better able to audit these areas than civilians of comparable grade.

Although appointing a small number of military staff as management interns or in training positions may be advantageous, military personnel are not needed to audit combat-related functions. Other defense audit agencies have, for a long time, successfully reviewed combat-related functions without military staffing.

Similar reports were issued on Army and Air Force audit services.

"The Five Service Academies: A Followup Report" (FPCD-77-78, Nov. 25, 1977)

Our previous study showed that the services could save about \$3,000 annually for each civilian that was substituted for a military person at the academies; other DOD studies confirmed this.

The services continue to assign large numbers of enlisted personnel to support positions at their academies. Academy officials said they have no requirement to review and convert military positions which could be filled by civilians. In response to our recommendation, however, the academies had converted 147 military positions to civilian, and more substitutions were planned.

Academy officials were concerned that using more civilians would eventually have an adverse affect on academy operations because of possible congressional cuts in civilian personnel strengths. They felt that the Congress was less likely to reduce military strengths; therefore, they were

reluctant to recommend converting military positions. These officials also believed that if they gave up military positions, civilian positions may not be returned. Thus, academy officials tried to retain as many military positions as possible.

"Opportunities Exist for Substantial Savings in Administration of Military Skill Training Programs" (FPCD-78-13, Feb. 14, 1978)

DOD could reduce training costs by millions of dollars annually by using more civilians and contracting for more skill training. It has long been the policy of the Congress, the Office of Management and Budget, and DOD to advocate increased use of these optional staffing methods; but the services have resisted.

DOD has published criteria to guide the services on the kinds of positions which civilians should occupy. Training officials said they had not converted positions from military to civilian because DOD had not required it.

"Reserve Officer Training Corps Programs" (FPCD-78-17, Feb. 23, 1978)

In response to a request from the Chairman, House Committee on Appropriations, we reviewed several aspects of the services' Reserve Officer Training Corps programs, including the number of military support positions which have been civilianized. According to service officials responsible for Corps programs, the following action has been taken:

--Army: the Army is considering civilianizing a total of 192 military positions in fiscal year 1980.

--Air Force: the Air Force has civilianized 55 positions. No further action is planned.

--Navy: the Navy reviewed military positions in the Training Corps and at headquarters, and does not plan to civilianize any positions.

OTHER REPORTS

"Report to the President and the Secretary of
Defense on the Department of Defense"
(Blue Ribbon Defense Panel, 1970)

One chapter of this report "Management of Personnel Resources," discussed the use of civilians in management positions. The panel recommended that:

"Those activities in the Military Departments now headed by a military officer with an immediate civilian subordinate should be surveyed to determine the necessity of military direction of the activity, and where no such requirement is found to exist, the position at the head of the activity should be civilianized or made optional for a military officer or a civilian to fill and dual staffing should be permitted only in exceptional cases."

"Shaping the Defense Civilian Work Force"
(Brookings Institution, Sept. 1977)

This report, prepared for the Senate Committee on Armed Services, discussed issues relating to the defense civilian work force. It found that directives and guidelines established by DOD on use of civilian personnel were vague and left a great deal open to interpretation, permitting the military services to increase the size of the military component.

Considerable potential exists for further manpower mix adjustments. Civilian personnel could replace many of the military personnel without jeopardizing national security. The report said that about 390,000 billets then occupied by military personnel could be considered for substitution.

The report also said that there were considerable opportunities for advantageous transfer of various commercial and industrial activities, now being conducted in-house in base operations and depot maintenance activities, to private enterprise.

The report concluded that three important actions were needed to revise current practices and encourage DOD to seek a more efficient manpower mix:

- Formulation of a national policy with respect to the composition of the defense work force.
- Reexamination, in view of the Nation's security requirements and economic prospects, of constraints now imposed on DOD by the White House and the Congress which contribute to inefficiencies in the composition of the defense work force.
- Removal of disincentives inherent in the Pentagon's planning, programing, and budgeting process, which now discourage military managers from seeking a more efficient manpower mix.

"Military Manpower and the All-Volunteer Force" (Rand Corporation, Sept. 1977)

This report, prepared for the Defense Advanced Research Projects Agency, also discussed defense manpower issues. The chapter, "Resource Allocation: Manpower Requirements," states:

"The resource allocation issue that has received perhaps the most attention during the past 10 years is the substitution of civilian employees for military personnel, better known as civilianization. In the effort to reduce the spiraling manpower costs of the 1960s, a continuing dialogue centered on civilianization as a possible answer. Proponents of this policy brought considerable pressure to bear on the DOD to substitute civilians for military personnel wherever possible, with the result, for example, that 31,000 military billets were converted to civilian status during fiscal 1974.

"However, in the rush to identify potential civilian substitutions, critics of DOD policies have frequently been more concerned with whether civilians can be used than with whether they should be used."

* * * * *

"The problem of determining what positions could potentially be manned by civilian personnel is not a trivial matter, given the softness of the criteria that must be used to make these allocation decisions. Historically, manning decisions have been the result of numerous factors, including military requirements, personnel management constraints, cost-effectiveness, and tradition."

ESTIMATED SAVINGS IF MILITARY POSITIONS ARE
CONVERTED TO CIVILIAN APPROPRIATED FUND
POSITIONS

<u>Military</u>	Enlisted (E-6) (note a)	Officers (0-3) (note a)
Regular military compensation (note b)	\$14,125	\$22,921
Retirement (note c)	3,623	6,449
Support factor (note d)	3,550	5,874
Veterans benefits (note e)	<u>2,022</u>	<u>2,022</u>
Total cost per military position	<u>\$23,320</u>	<u>\$37,266</u>
	GS-7 (note f)	GS-10/11 (note f)
<u>Appropriated fund civilians</u>		
Basic pay	\$14,713	\$20,800
Benefits (note g)	<u>3,589</u>	<u>5,075</u>
Total cost per civilian position	<u>\$18,302</u>	<u>\$25,875</u>
Estimated savings per conversion of military positions to civilian	\$ <u>5,018</u>	\$ <u>11,391</u>

a/Reported average grade level (mix reported: Enlisted 88.7%, officers 11.3%).

b/The sum of basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal income tax advantage.

c/Retirement factor is 37.16% of basic pay (basic enlisted pay for E-6 averages \$9,751; basic pay for 0-3 officers averages \$17,354).

d/Support factor is for military personnel in training and support functions (20% of regular military compensation and the retirement factor).

e/Benefits factor includes average costs of dental, medical compensation, burial plot, headstone, and rehabilitation training (1/5 of \$10,111).

f/Civilian grade levels corresponding to military grade levels.

g/Benefits factor includes retirement, health insurance, and life insurance (24.4% of basic pay).



MANPOWER,
RESERVE AFFAIRS
AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

22 JUN 1979

Mr. H. L. Krieger
Director, Federal Personnel and
Compensation Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Krieger:

This is in response to your letter to the Secretary of Defense of April 26, 1979, concerning your draft report entitled "Reductions in Military Staffing - An Evaluation of Impacts on Morale, Welfare and Recreation Programs," (FPCD 79-54, OSD Case #5165).

[iii] The draft report addresses several important issues but does not adequately discuss (1) the progress that this Department has made in reducing 4,270 full- and part-time military personnel in morale, welfare and recreation (MWR) activities over the past three years, (2) the requirements for and generally proper assignment of military personnel to MWR activities in accordance with DoD Directive 1315.10, and (3) the full impact of a major civilianization program upon the quality and cost of our MWR programs.

[v] The evidence presented in the draft report does not support the contention that little significant impact has occurred as a result of past and current year reductions of military personnel. While this impact is difficult to measure in specific MWR activities, an aggregate system-wide impact could have been quantitatively assessed.

[v] The report states that most of the 9,901 military positions (9,316 assigned) can and should be converted to civilian positions. This Department concluded a comprehensive study of MWR activities late in 1977 which addressed in detail the funding and staffing of these activities. DoD Directive 1315.10, "Assignment of Appropriated Funded Personnel to MWR Activities," March 17, 1978, was one of the products of this study. The draft report does not indicate any instance of non-compliance with this directive. However, based on your recommendation, the Military Departments will be asked to verify the utilization of military personnel in accordance with Department of Defense assignment criteria.

More detailed comments on three of the major provisions of the report are contained in the enclosure.

Sincerely,

Richard Danzig
Acting Principal Deputy Assistant
Secretary of Defense (MRA&L)

Enclosure

GAO Note: The numbers in brackets refer to pages in this report.

Department of Defense Comments on GAO Draft Report,
 "Reductions of Military Staffing - An Evaluation of Impacts
 on Morale, Welfare and Recreation (MWR) Programs" (OSD Case #5165)

Reductions of Military Personnel, Fiscal Year 1976 to Present

- [8] The report does not present data fairly by implying that the Department of Defense reduced less personnel than "Congress expected" during FY 1978. As of March 31, 1976, military strength in MWR activities was reported as 14,804 -- 11,951 full-time and 2,853 part-time. Congress established a ceiling effective October 1, 1977, which was based upon a reduction of 2,000 spaces from these actual strengths reported 18 months earlier, i.e., no more than 10,201 full-time and 2,603 part-time military personnel. During this intervening 18 month period, the OMB/DoD MWR Study Group was inter alia reviewing staffing policies, and the Military Services were focusing on the need to critically examine military staffing. As a result, the DoD was nearly 200 personnel under the Congressional full-time ceiling at the beginning of FY 1978 and approximately 1,100 under the ceiling at year's end. As of March 31, 1979, the DoD had reduced 2,635 full-time and 1,635 part-time personnel since March 31, 1976. Our current reported strength is 585 full-time and 1,385 part-time personnel below the ceiling in the FY79 DoD Appropriations Act. We believe this demonstrates our full compliance with the law, the intent of the Congress, and with restrictive military assignment policies in DoD Directive 1315.10, "Assignment of Appropriated Funded Personnel to MWR Activities," revised and reissued on March 17, 1978.

Scope and Interrelationship of Activities within the DoD MWR Program

- [18] Since some readers of the GAO report may identify the MWR program with only those selected activities listed in the introduction, the attached chart from our DoD directive on funding of MWR programs should be added as an appendix to the final report. Also, the funding relationship between Category I military exchanges and Category III military general welfare and recreation activities should be explained. It is particularly important that readers recognize that increased nonappropriated fund expenses to exchanges either raise prices or reduce earnings distributions to Category III activities. The latter, in turn, would cause user fees to be increased, additional appropriated funds to be used to maintain these activities, or would result in the curtailment of vital community programs.

Cost Savings

- [8] The draft report states that \$5,700 can be saved annually for each MWR military position that is converted to an appropriated fund civilian and the military strength reduced accordingly. On page 14, a chart shows that \$57 million can be saved if 9,901 military personnel are cut from end strength. (There are currently only 9,316 assigned.)
- [11] Aside from reservations that we have on the savings computation itself, we reject the inference that open messes and other MWR activities can be placed on a sounder financial basis by replacing military with civilian personnel
- [18] on the assumption that civilian managers are more competent, effective, and efficient. The report further does not adequately address the impact of military force strength reductions on rotational manning requirements, mobilization, deployment, or combat capability.

GAO Note: The numbers in brackets refer to pages in this report.

- [10] It seems pointless to observe, as the draft report does on page 19 and in the nine-page Appendix II, that even greater savings could be achieved by further reductions of military end strength. (By quoting from a 1977 Senate Appropriations Committee study, the draft report infers that a 1.8 million military force would be as effective as a 2.1 million force.)
- [17] On page 22, however, the draft report states that there would be no shortage of military personnel as a result of reducing authorizations in MWR activities if personnel were reassigned to units with shortages. How this is to be done concurrent with a reduction in end strength was left unanswered.
- [19]

- The report also states that rotation base requirements and MWR positions in deployable combat and combat support units are "impediments" to civilian conversions. These are in reality basic criteria dictating the use of military personnel, along with inability during deployment or at some locations to hire qualified civilian personnel and to maintain essential command control and supervision. DoD Directive 1315.10 elaborates on these criteria. The impediments to civilianization, once that determination has been made, are space limitations, funding limitations, and labor agreements in foreign countries.
- [14]
- [15]
- [19]

- On page 21a it was acknowledged that the Navy needed shore supply billets of the type now authorized in military exchanges, but that these personnel, for the most part, should be reassigned to commissaries thereby saving \$5 million annually. This "militarization" saving would be accomplished by reducing 253 appropriated funded civilians in commissary stores, and replacing them with a like number of military personnel reassigned from exchanges. The cost to nonappropriated funds or the impact on exchange prices or earnings distributions to Category III MWR activities by having to hire additional NAF civilian employees in military exchanges was inadequately addressed.
- [16]
- [19]

- On page 23, the draft report stated that another \$11.9 million could be saved by limiting military staffing in Navy and Marine Corps exchanges to the level in the Army and Air Force Exchange Service. Aside from the fact that the cost savings cited here are not additive to other savings figures mentioned earlier, the draft report ignores basic differences among the Services in filling military billets. The Navy, for example, has a unique ship to shore rotational requirement for ships' servicemen and supply billets ashore, part of which are assigned to military exchanges consistent with their military specialty. The Army and Air Force, on the other hand, concentrate the majority of their military personnel in Category III military general welfare and recreation.
- [15]
- [16]

GAO Note: The numbers in brackets refer to pages in this report.

CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING NAFLs

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MWR ACTIVITIES																																	
I Armed Services Exchanges	Includes the functions of providing through the Exchange systems (a) reimbursable goods and services to authorized patrons, and (b) funds to support other designated morale programs.	Headquarters Level Exchange Fund Retail store Soda fountain & snack bar Beer bar Gasoline filling station Car wash Restaurant & cafeteria Barber shop Beauty parlor Automobile garage & service station Laundry Watch repair shop Radio & television repair shop Tailor shop, including dry cleaning & pressing Shoe repair shop Photographic studio Vending & amusement machines Grocery section (when specifically authorized) Taxicab & bus service Newsstands																																	
II Other Resale & Revenue-Sharing	Includes the functions of providing, other than through Exchanges, (a) reimbursable goods and services to authorized patrons, and (b) funds to support other designated morale programs.	Civilian dining vending activities and services Academic book store Cadet restaurant Stars and Stripes Audio Club (resale) Class VI stores alcoholic beverage package stores																																	
III Military General Welfare & Recreation	Includes the functions of providing welfare and recreation programs for military personnel. Category III A Nonappropriated Fund Instrumentalities provide nonappropriated fund support to those MWR activities in category III B. Category III B activities are generally administered by special services or recreation directors officers. These activities are divided into three groupings for funding support as indicated in enclosure 4. Category III B activities will not be established, organized, or operated as Nonappropriated Fund Instrumentalities.	III A Headquarters Level MGW & R Fund Major Command Level MGW & R Fund Installation Level MGW & R Fund Company Unit Level MGW & R Fund Inmate Confinement Welfare Fund III B <table border="0"> <tr> <td>GROUP 1</td> <td>GROUP 2</td> <td>GROUP 3</td> </tr> <tr> <td>Libraries</td> <td>Arts & crafts (including automotive)</td> <td>Bowling (more than 6 lanes)</td> </tr> <tr> <td>Sports Athletic, self-directed & unit level intramural</td> <td>Entertainment (including music & theatre)</td> <td>Motion pictures (paid admission)</td> </tr> <tr> <td>Recreation centers rooms</td> <td>Outdoor recreation</td> <td>Bingo</td> </tr> <tr> <td>Shipboard & isolated/deployed unit motion pictures (free admission)</td> <td>Swimming pools</td> <td>Golf</td> </tr> <tr> <td>Armed Forces professional entertainment overseas</td> <td>Youth activities</td> <td>Skating rinks</td> </tr> <tr> <td>Unit level programs activities</td> <td>Sports-competitive (above intramural)</td> <td>Pro shops*</td> </tr> <tr> <td></td> <td>Child care centers</td> <td>Snack bars operated by recreation programs*</td> </tr> <tr> <td></td> <td>Stables</td> <td>Skeet trap ranges</td> </tr> <tr> <td></td> <td>Marinas/boating</td> <td>Armed Forces recreation centers</td> </tr> <tr> <td></td> <td>Bowling (6 lanes or less)</td> <td>Cabin cottages</td> </tr> </table> <p>* When not operated as an integral part of another activity</p>	GROUP 1	GROUP 2	GROUP 3	Libraries	Arts & crafts (including automotive)	Bowling (more than 6 lanes)	Sports Athletic, self-directed & unit level intramural	Entertainment (including music & theatre)	Motion pictures (paid admission)	Recreation centers rooms	Outdoor recreation	Bingo	Shipboard & isolated/deployed unit motion pictures (free admission)	Swimming pools	Golf	Armed Forces professional entertainment overseas	Youth activities	Skating rinks	Unit level programs activities	Sports-competitive (above intramural)	Pro shops*		Child care centers	Snack bars operated by recreation programs*		Stables	Skeet trap ranges		Marinas/boating	Armed Forces recreation centers		Bowling (6 lanes or less)	Cabin cottages
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CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING NAFIs

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MWR ACTIVITIES	
IV Civilian Employee General Welfare & Recreation	Includes the functions of providing welfare and recreation programs for civilian personnel.	Headquarters Civilian Employee General Welfare & Recreation Fund Major Command Civilian Employee General Welfare & Recreation Fund Installation Civilian Employee General Welfare and Recreation Fund Civilian welfare/recreation activities	
V Open Messes	Includes the function of providing messing, and essential feeding where required, as well as social programs, services and facilities to membership groups.	Headquarters Level Military Open Mess Fund Major Command Level Military Open Mess Fund Installation Club Management Office Commissioned Officers Mess Open Senior Staff NCO/CFO Mess Open NCO/PO Mess Open Enlisted Mess Open Consolidated Mess Open	Food Bar Catering Bingo Vending machines Amusement machines Swimming pools* Tennis/all purpose courts*
		* Existing and under construction only. Future swimming pools and tennis courts will be in category III.	
VI Other membership Associations	Includes the function of providing morale programs, services, and facilities (other than open messes) to special interest groups. These NAFIs neither receive revenue from nor distribute dividends to other NAFIs. Merchandise is sold only to members and is directly related to the purpose and function of the membership association.	Headquarters Membership Association Fund Major Command Membership Association Fund Aero (flying) Amateur radio Boating/sailing	Community TV Motorcycle Parachute/sky diving Scuba diving
		Other membership associations may be authorized by the DoD Components provided that facilities and activities do not duplicate those in category III B.	
VII Common Support Service Non-appropriated Fund Instrumentalities	Includes all Nonappropriated Fund Instrumentalities performing consolidated support services functions such as accounting, procurement, or personnel services for more than one category of NAFIs. Does not include staff management functions at installation, major command, or Service headquarters levels, the costs of which are allocated to the benefiting categories.	Headquarters Level Common Support Services Fund Major Command Level Common Support Services Fund Installation Common Support Services Fund	

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CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING NAFls

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MWR ACTIVITIES
<p>VIII Supplemental Mission Services Non-appropriated Fund Instrumentalities (Referred to in DoD Instruction 7000.12 (reference (k)) as "Activity Management")</p>	<p>Includes all Nonappropriated Fund Instrumentalities providing MWR services as adjuncts to training, health, billeting, or other mission support programs. (NOTE: Costs of mission support programs and personnel assigned to these programs will be reported IAW DoD Instruction 7000.12 only to the extent that they relate directly to the Non-appropriated Fund Instrumentality or its functions. For example, costs of operating billets will not normally be charged to category VIII. Billeting fund activities are limited to those that supplement the appropriated fund program supporting the billeting mission, e.g., provision of room maid service.)</p>	<p>Headquarters Level Supplemental Mission Fund Academy Dining Hall Supplemental Mission Fund Billeting/Housing (includes temporary lodging facilities & guest houses) Supplemental Mission Fund Thayer Hotel Supplemental Mission Fund Cadet Awards Supplemental Mission Fund Chaplain Religious Fund Dependent School Supplemental Mission Fund In-Flight Services Supplemental Mission Fund Military Museum/Historical Supplemental Mission Fund Vehicle Registration Supplemental Mission Fund Animal Care Fund Voluntary Contribution Supplemental Mission Fund Academic Support Supplemental Mission Fund Commandant's School Supplemental Mission Fund Special Learning Center Supplemental Mission Fund West Point Tailor Shop Supplemental Mission Fund Athletic Association Supplemental Mission Fund United States Disciplinary Barracks Supplemental Mission Fund Cadet Publications Supplemental Mission Fund</p>

NOTE: This list of MWR activities is not intended to be all inclusive. DoD Components may approve additional MWR activities in appropriate categories as required. Management of MWR activities will be consistent with their categorization. Open messes (cat. V) may manage alcoholic beverage package stores (cat. II) and Exchanges (cat. I) may manage paid-admission motion pictures (cat. III B3), provided that separate income and expense records are maintained. Heads of DoD Components may authorize similar management arrangements, for efficiency or economy, provided that resources are allocated and financial operations are reported in accordance with DoD categorization.

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